

June 20, 2025 - President's Message

Dear Public Health Care System Leaders,

In the two weeks since our last update, the stakes have only grown for California's health care safety net as both state and federal budget debates continue with potentially serious consequences for our systems and communities.

At the federal level, the threat of deep Medicaid cuts moved closer to reality with the release of the Senate Finance Committee's budget reconciliation bill text. Of particular concern for public health care systems, the proposal would reduce State Directed Payments annually for a total potential loss of more than \$2

billion to public health care systems. The Senate also proposed to reduce the federal match for emergency services to UIS adults from 90% to 50% starting in 2026 and would reinstate deep DSH cuts that the House had delayed.

While detailed policy analysis appears later in this update, I want to focus on what these developments mean for our advocacy efforts and the communities we serve. Several Republican senators have voiced concerns about the proposed changes, and we continue to work closely with our red-state colleagues to educate their Senators about the disastrous impact the proposed cuts would have on their constituents. We are also working with some of you to keep our House delegation members apprised of our concerns, knowing that another vote also looms in that chamber.

At the state level, negotiations between the Governor and Legislature continue, with significant differences remaining, especially around Medi-Cal. We remain focused on protecting access and securing stable funding for public health care systems and our patients.

And while all these political dynamics play out, communities across the country, including here in California, are raising their voices in protest against immigration raids and other federal actions. In this moment of unrest, we are reminded of our public health care system's crucial role as a community resource, especially for those most impacted. Thank you for your partnership as we stay in the fight.

Sincerely,

Erica Murray
President & CEO
California Association of Public Hospitals & Health Systems

State**Legislative Budget Advances with Significant Medi-Cal Implications**

On Friday, June 13, the California Legislature passed its \$325 billion state budget, setting the stage for critical negotiations with Governor Newsom in the coming weeks to finalize the state's budget before the July 1 fiscal year deadline. With significant differences

remaining on key elements of the budget, including Medi-Cal and other health care services, we expect intensive negotiations between the Legislature and the Governor in the weeks leading up to the deadline.

The legislative budget includes the following provisions:

- **Delaying the elimination of PPS payments to FQHCs for UIS patients** from January 1, 2026, to July 1, 2027.
- **Modifying the enrollment freeze for UIS patients** to clarify that there is no “age out” and establishing a 6-month re-enrollment grace period for those who lose coverage.
- **Reducing monthly premiums for UIS individuals** from \$100 to \$30 and limiting the age range to 19-59 (instead of 19 and older), effective January 1, 2027.
- **Rejecting the elimination of Medi-Cal long-term care benefits for UIS patients.**
- **Delaying the elimination of state-only dental coverage** to July 1, 2027 (from the Governor’s proposed July 1, 2026).
- **Approving Redirecting Portions of the MCO Tax** implemented by Prop 35, resulting in \$1.3 billion of General Fund savings in FY 2025-26 and \$236.7 million in FY 2026-27. We are verifying that the Legislature preserved the \$150 million allocation for public hospitals in their budget.
- **Restoring the Medi-Cal asset limit** to \$130,000 for individuals and \$195,000 for couples, rejecting the Governor’s proposal of \$2,000 per individual and \$3,000 per couple
- **Exploring a Medi-Cal employer contribution**: The proposal signals that the Senate will begin developing a policy to require large employers to contribute toward the cost of Medi-Cal when their employees are enrolled in the program. This policy could take effect as early as 2027-28. The intent is to recognize that large employers benefit from their employees receiving health coverage through taxpayer-funded programs instead of employer-sponsored insurance. Implementing any employer contribution would require future legislation and budget action.

Office of Health Care Affordability

Last week, the Health Care Affordability Board convened for its [June meeting](#). Of note, the Office of Health Care Affordability (OHCA) provided topline findings from its baseline spending report detailing health care spending growth from 2022 to 2023. Overall, total health care expenditures grew by 8.2%. The California Hospital Association commented on the finding that commercial and Medi-Cal health plans’ administrative costs and profits increased by more than 25% in the measurement period, while hospital spending grew less than 5%.

OHCA also provided a brief update to the Board on hospital spending measurement methodology and indicated it would reconvene the workgroup focused on this issue over the summer to gather input on a revised approach for hospital outpatient spending measurement.

OHCA acknowledged discovering a coding error in its methodology for identifying “high-cost” hospitals last month. However, upon recalculation with the corrected methodology, OHCA arrived at the same list of hospitals and is not recommending any changes. Finally, OHCA recommended delaying the setting of a behavioral health investment benchmark until spring 2028 to allow staff to conduct additional analysis and evaluate the impact of recent behavioral health policy changes. The Board encouraged OHCA to explore alternatives that could result in the benchmark being set sooner. OHCA indicated it would continue working on this issue and report back to the Board.

CDII Proposes Amendments to DxF Technical Requirements

On May 28, 2025, the Center for Data Insights and Innovation (CDII) released a [proposed amendment](#) to a Data Exchange Framework (DxF) Policy and Procedure on technical requirements for data exchange. The amendment would remove references to specific technical standards for data sharing, recognizing that national networks already set their own. Starting January 1, 2027, skilled-nursing facilities (SNFs) would be required to send and respond to admission and discharge notifications. The proposal also requires hospitals, emergency departments, and SNFs to make these notifications available in both machine- and human-readable formats while establishing a standardized structure for message content. The California Hospital Association plans to submit comments on the proposed changes, which are due by July 21.

New Medi-Cal Voices and Vision Council

The Department of Health Care Services (DHCS) recently introduced the Medi-Cal Voices and Vision Council, a new advisory group designed to strengthen Medi-Cal's engagement with members and stakeholders that work with members. The council will provide a consistent forum for sharing feedback and ideas directly with DHCS leadership on improving Medi-Cal services and policies. It will begin meeting in September. For more information or to apply to serve on the council, members can visit the council website [here](#).

EMSA Introduces Auditing Tool to Implement AB 40 Emergency Regulations

On June 24 from 8:00 to 9:30 a.m., the Emergency Medical Services Authority (EMSA) will host a webinar for hospitals to introduce its new Ambulance Patient Offload Time (APOT) Audit Tool. The tool, proposed under [emergency regulations](#) to implement Assembly Bill 40 (2023), aims to help hospitals verify the accuracy of APOT data.

Before launching the tool statewide, EMSA will pilot it in July with a selected hospital and local emergency services agency.

Members interested in learning more or registering for the webinar can access the webinar flyer [here](#).

Federal

Overview: Senate Finance Health Care Provisions

On June 16, 2025, the Senate Finance Committee, which has jurisdiction over tax and health-related provisions, released draft legislative text for the Senate budget reconciliation bill. The health care policy changes focus primarily on Medicaid. Below is an overview of the key provisions relevant to public hospitals and health care systems (PHS).

The Medicaid provisions in the Senate Finance proposal are more draconian than the House-passed bill, including more restrictive language on State Directed Payments, new limits and financial penalties for states and providers serving immigrant populations, expanded work requirements for Medicaid recipients and no relief from DSH cuts. Read CAPH's summary of the Senate reconciliation bill [here](#).

Negotiations are continuing in the Senate this week, and the Senate could begin voting as soon as the week of June 23. The Senate is aiming to vote on the budget reconciliation bill before the July 4 holiday. The bill would then need to go to the House for another vote. The President has asked for this to happen before the July 4 holiday but by the end of July is a more likely timeline.

Medicaid Immigration Data Privacy Concerns

Late last week, media reports indicated the Centers for Medicare and Medicaid Services (CMS) shared personal data of Medi-Cal members with the Department of Homeland Security (DHS), potentially for immigration enforcement purposes. The State Department of Health Care Services (DHCS) released a [statement](#) in response outlining the type of data it has shared with CMS and its outreach to CMS to better understand the specific data shared by federal agencies and how DHS would use it. Additionally, DHCS is developing frequently asked questions (FAQs) on Medi-Cal immigration data to provide more information on data shared with the federal government. We will share this with members as soon as it is available.

In the interim, the Protecting Immigrant Families Coalition and National Immigration Law Center have [developed](#) a resource with more information on this issue, as well as some key messages that can be used with immigrant families.

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Resources

New Virtual Learning Series for Older Adults

The Center for Health Care Strategies (CHCS) is offering a [five-part virtual learning series](#) focused on improving access to assisted living for Medi-Cal enrollees, including older adults, individuals with disabilities, and those with behavioral health needs.

The next session, *Navigating Assisted Living Entry: Strengthening Referral Partnerships for Successful Transitions*, will take place on July 22 from 12:00 – 1:30 pm.

The session will focus on building effective partnerships to support referrals and placements into assisted living communities and will cover the roles of key stakeholders and available financial and practical resources to address common placement challenges. Members interested in joining the webinar can register [here](#).

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